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The Influence Of Earning Per Share (Eps), Dept To Equity Ratio (DER), And Company Age On Underpricing In Idx

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ABSTRACT

This study analyzes whether the variables earnings per share (EPS), debt to equity ratio (DER), and Age Copies influence the underpricing of the Initial Public Offering (IPO). The theory related to underpricing is the signaling theory. The method used in this study is regression analysis. The results from this study show that only three variables, EPS, DER, and Age Companies, have a significant effect on underpricing. Because of the higher profitability, investors will be interested in buying or getting a substantial return on their participation. Simultaneously, no variables affected underpricing.

INTRODUCTION

The rapid development of the Indonesian capital market has made domestic and foreign investors interested in its development. The capital market is one source of long-term financing for the government and the business world. Issuance of bonds and shares by companies that need funds is a source of funds in the capital market. Currently, the increasing number of shares being bought and sold marks the development of the Indonesian capital market. If we look at the Indonesian Stock Exchange website, the growing number of companies going public is quite significant evidence of the development of the Indonesian capital market. To achieve business expansion by increasing company value, one of the company's solutions to raise capital is to carry out an Initial Public Offering (IPO) by selling some shares on the capital market. Increasing business competition every year makes it increasingly competitive to strengthen the company's position to face challenges by increasing capital (Autore et al., 2014).

Price share offers new determinations based on an agreement between the company publisher and guarantor emission. In contrast, the price in the market is secondary and determined by the mechanism market (offer and request). If the price share IPO is far lower than the price market secondary on the day First, the share is considered undervalued. The undervalued amount will be measured using the results at the beginning. Returns results begin with results That accept the holder's share in market prime and are for sale in market secondary on the day first.

The underpricing phenomenon is one of the challenges that will arise in the IPO process, where the company's share price in the secondary market is higher than the closing price in the primary market (Jamaludinin and Astuti, 2011). New company shares are offered to the public with a higher market value on the first day of trading; this is the situation where underpricing occurs during the IPO. Losses are caused by underpricing, where the company does not receive maximum funds according to previous provisions; the evaluation is something the company assessed lower from circumstances Actually by investors to reduce risk, Which is covered by underwriters, and loss Because the company is not capable accept amount of fund maximum Which has determined (Setyowati and Suciningtiyas, 2018). However, conditions Benefit investors because they can obtain return results at the beginning of the first profits when buying shares. This Level of undervalue is constantly changing, and various factors can influence its increase or decrease. The prospectus distributed before the IPO provides information about company development (Susilawaty et al., 2022).

The positive difference between the price of security on the stock exchange and the price on the primary market at the time of IPO is called underpricing. Underpricing also does not benefit issuers because the funds received are not optimal. If underpricing occurs, it will benefit investors because they will not get the maximum initial return. Profit initial is the profit that shareholders receive from the difference between the purchase prices of a share in the primary market and the selling price of the share in the secondary market. Underpricing Something circumstances: Where the price of a public something share is lower than the price in the market regularly (Fadila and Utami, 2020). Another definition mentions undervaluation is a condition where the primary market share price is lower than the secondary market share price (Ayuwardani and Isronah, 2018).

Earning per share or EPS is defined as a company's profit per share. Companies that provide Earnings per share, Which are believed to be challenging to develop with fast arena all over fund results profit company will be returned to holder share, And No There is an additional fund for a growth company. This increases company uncertainty, increasing the underpricing of shares. According to Fahmi (2018), profits are distributed to shareholders. Investors Pay attention to the EPS value to obtain high profits, so a company with a high EPS value is a sign of successful financial management (Sari et al., 2022). According to Kasmir (2016), an indicator used to measure success management is the company's giving profit to holder shares. In other research by Sukamulja (2016), the ratio EPS can calculate how much profit a company enters in every share circulating. EPS, Which is shared with the holder, is shared with the amount shared in the company (Tandelilin in Satriawan and Agustina, 2016)

Research conducted by Zulkarnaen, Puspa, and Herawati (2015) stated that Earning per share (EPS) did not have a significant effect on underpricing, while the results of research conducted by Putro (2017) stated that there was a positive and significant relationship between Earning per share (EPS) with underpricing.

The ratio used is the Equity Ratio (DER) to compare our capital and total debt. So, the financial or debt-to-equity ratio is compared with the amount of debt to equity. From this ratio, it can be seen how much debt finances the company's assets. How to measure a company's business risk. This can influence the decisions of companies, creditors, and investors. This ratio is used to determine the size of funding from creditors and business owners. In other words, this ratio determines the shares used as collateral for the debt. Investors who want to make investment decisions in a company usually moreover First consider the company's DER value. If the DER is high, then there is a risk that the company will be too tall. Because of That, It is believed that the higher a company's DER, the higher it will be and the initial return received by investors (Djaelani et al., 2022). Research conducted by Ayuwardani (2018) and Nadia and Daud (2017) showed that the Debt to Equity Ratio (DER) does not affect underpricing.

A company's ability to compete and survive in the business world is shown by how long the company has been around (Mulyani and Maulidya, 2021). With the company's age, we can also see how the company takes advantage of existing business opportunities. According to Inkasari (2018), the information and data companies obtain are relatively large and processed. Company age is information in non-financial classification that can influence underpricing. The longer a company has been around, the more strategies and information it will find to survive in the future (Khairun, 2022).

Although there already a lot of research on underpricing, this research is still interesting because there are still many differences in the results of previous studies regarding the factors that influence underpricing. This encourages researchers to explore and investigate further the factors influencing underpricing.

LITERATURE REVIEW

Signals are corporate activities that guide investors in how management views the company's prospects. Information and signals about a company can influence external parties if positive signals (good news) trigger a positive investor reaction to an increase in share prices or vice versa. In other words, publicly available information influences the rise or fall of stock prices (Brigham and Houston, 2009). The development of the signal theory was described in 1977 by Ross, where the information conveyed is more or less obtained by how the party gets it (Mayasari et al., 2018). According to Yuliani (2019), the method of conveying the issue chosen by the informer must be accepted and interpreted by the receiver.

The phenomenon is where the first share price sold in market capital is lower than the share price sold on the capital market on the first day of the general offering. The prime is called underpricing, which is the amount underpricing will affect subsequent initial returns accepted by investors.

According to Yuliani et al. (2019), the debt ratio is used to fund investment needs to achieve profits. A high risk means a high debt-to-equity ratio (DER), where there is a risk of failure to repay debts, and companies with high risks are shunned by investors.

Nugroho (2012) Determining the age of a company is the beginning of the company's operational activities until the company continues to exist or maintains its existence in the business world. Harry (2011:4) states that the existence of a company is not limited to the assumption of business continuity/going concern. This means that the age of a company shows its ability to maintain business continuity. Based on the definition above, company age is the length of time a company has been established, which shows that the company can survive, compete in the business world, and maintain its business continuity. This part of the document shows the company's objectives.

According to Martani et al. (2012), The age of a company shows how long the company can survive in business competition. The older a company is, the more information the public has about the company. As a company ages, information asymmetry decreases, and future uncertainty decreases, increasing investors' confidence in their investments. Information about newly founded companies is less available to the public than information about companies that have been around for a long time, and it is tough for investors to find out. Information that is difficult for investors to access increases company uncertainty. This means that the age of a company has a relatively strong influence on share undervaluation. Newly founded companies may be undervalued compared to long-established companies, and based on research conducted by Thoriq, Sri Hartoy o, and Hendro Sasongko (2017), company age has a significant positive effect on underpricing. Meanwhile, the research results by Lismawati and Munawaroh (2015) prove that company age does not significantly affect underpricing.

Based on the background of the problem described above, the problem formulation that can be prepared is as follows:

1. Does Earning per share (EPS) significantly affect Underpricing in Initial Public Offerings?
2. Does the Dept Equity Ratio (DER) significantly affect Underpricing in Initial Public Offerings?
3. Does company age have a significant effect on underpricing in initial public offerings?

METHODS

In this research, the population is 30 companies that conducted an IPO on the Indonesia Stock Exchange from 2022 until 2024. In this period, 250 companies are holding an IPO on the IDX. In this research, the technique used for sampling is purposive sampling, namely a method for determining research samples with specific considerations to make the data obtained later more representative. (Sugiyono, 2017:85). The number of samples studied in this research was 30 companies.

In the study, this technique takes samples. It uses purposive sampling, which is a technique that determines the sample study from an aspect specific to an objective so that data obtained later is more representative. (Sugiyono, 2017:85). The number of samples studied in this research was 30 companies. The criteria for companies that will be the sample in this research are companies that carry out an Initial Public Offering (IPO) on the Indonesia Stock Exchange in 2022-2024 and experience share underpricing.

The type of data used in this research is secondary data. Sugiyono (2017:137) explains that secondary data is a data source that does not directly provide data to data collectors. The data collection method used in this research is the documentation method. According to Sugiyono (2015:329), Documentation is a way of obtaining data and information in the form of books, archives, documents, pictures, and written images, as well as in the form of reports and information that can support research.

Table 1 Methods

Kode	Nama	EPS	DER	UMUR PER	UNDERPRICING
BATR	PT Benteng Api Technic Tbk	0	0	20	111
SOLA	PT Xolare RCR Energy Tbk	2	20	10	44
DATA	PT Remala Abadi Tbk	0	0	20	299
MHKI	PT Multi Hanna Kreasindo Tbk	10	12	20	119
ATLA	PT Atlantis Subsea Indonesia Tbk	0	0	8	53
AREA	PT Dunia Virtual Online Tbk	0	0	14	171
VISI	PT Satu Visi Putra Tbk.	0	-1.175	11	419
BAIK	PT Bersama Mencapai Puncak Tbk.	3	18	6	53
HYGN	PT Ecocare Indo Pasifik Tbk.	1	293	18	166
PTPS	PT Pulau Subur Tbk.	12	9	44	99
AYAM	PT Janu Putra Sejahtera Tbk.	1	165	17	105
RGAS	PT Kian Santang Muliatama Tbk.	7	14	6	98
MSTI	PT Mastersystem Infotama Tbk.	34	43	30	1,469
IKPM	PT Ikapharmindo Putramas Tbk.	2	125	46	221
UDNG	PT Agro Bahari Nusantara Tbk	0	447	5	72
KOKA	PT Koka Indonesia Tbk.	0	209	13	73
LOPI	PT Logisticsplus International Tbk	4126	0	11	48
STRK	PT Lovina Beach Brewery Tbk.	0	-156	14	49
VTNY	PT Venteny Fortuna International Tbk	1	246	3	150
ISAP	PT Isra Presisi Indonesia Tbk	0	18	13	8
PADA	PT Personel Alih Daya Tbk	-2	-13	18	21
MMIX	PT Multi Medika Internasional Tbk	-1	-71	4	49
NINE	PT Techno9 Indonesia Tbk	-2	-3	14	5
ZATA	PT Bersama Zatta Jaya Tbk	1	8	12	6
KETR	PT Ketrosden Triasmitra Tbk	9	22	30	205
PDPP	PT Primadaya Plastisindo Tbk	3	217	19	599
KDTN	PT Puri Sentul Permai Tbk	0	600	16	111

Data Table: Source IDX.com

Collection Techniques

The type of data in this research is secondary data collected using the method of observational Research, which involves writing down the IPO price and closing price of shares in the secondary public market based on the IPO date of each industry from 2022 to December 2024 and after that, using library research, namely by observing or reporting directly from other recorded sources related to the case study, which can be used as a theoretical basis. As well as internet studies, by collecting information from trusted websites about various knowledge needed in research. Sources of information used in this research were obtained from prospectus reports and industrial financial reports listed on the IDX, which can be accessed from www.idx.co.id and the company's website.

Data Analysis Technique

Information analysis in this research uses multiple linear regression analysis. The information processing equipment in this research uses the Eviews 9 application.

Multiple Linear Regression Analysis

Analysis Multiple linear regression analysis is used to determine the strength of the relationship between two or more variables and to show the direction of the relationship between the dependent variable and the independent variable. Multiple linear regression analysis can be written mathematically:

$$\mathbf{Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 2X2 + \varepsilon}$$

Y = Underpricing Level
α = Constant
X1= Earnings per share (EPS)
X2= Debt to Equity Ratio (DER)
X3= Company Age
β1= Regression Coefficient
ε = Standard Error

RESULTS

Regression was carried out using the OLS technique Dylan, White heteroskedasticity – consistent standard errors & covariance to minimize interference/violations of classical assumptions. Below are the results of the Regression Test, where we know that the test value, t-statistic for variable X1, is 0.0580, so it can be concluded that the independent variable This is by theoretical studies and the hypothesis that EPS influences underpricing. This is based on theoretical studies and the hypothesis that Eps influences underpricing. An industry that distributes too much profit to investors will find it challenging to grow because its income is distributed very much, so it cannot distribute bonus funds to improve the industry. This adds to industry uncertainty, which will increase stock underpricing. Likewise, if the share price at the time of the IPO is meager (underpriced), it will be detrimental to the industry, so the industry will not get a sizable net profit. The results of this research are supported by research (Dewi et al., 2018), (Putro L, 2017) and (Diva, 2018).

However, the results of this research contradict the results of research (Wicaksono, 2012), which proves that EPS (earnings per share) does not significantly influence underpricing. Comparison of research results occurs because of the different sampling methods used and the different periods used.

If we know that the R square value is 0.115, we can conclude that the influence of the Independent variable on the Dependent variable is 11%. Meanwhile, the remaining 89% is influenced by variables outside this research.

Table 1 Data Regression Results Using Eviews

Dependent Variable: Y
Method: Least Squares
Date: 06/13/24 Time: 11:40
Sample (adjusted): 1 27
Included observations: 27 after adjustments
White heteroskedasticity-consistent standard errors & covariance

Variables	Coefficient	t-Statistics	Prob.	
C	27.17953	76.70911	0.354319	0.7263
X1	-0.016886	0.008463	-1.995366	0.0580
X2	0.081910	0.159614	0.513179	0.6127
X3	9.000460	7.159117	1.257202	0.2213
R-squared	0.115938	Mean dependent var		178.6296
Adjusted R-squared	0.000625	SD dependent var		289.9157
SE of regression	289.8250	Akaike info criterion		14.31239
Sum squared resid	1931966.	Schwarz criterion		14.50436
Log likelihood	-189.2172	Hannan-Quinn Criter.		14.36947
F-statistic	1.005421	Durbin-Watson stat		2.237084
Prob(F-statistic)	0.408238	Wald F-statistic		2.675228
Prob(Wald F-statistic)	0.071021			

DISCUSSION

Meanwhile, the variable X2 (DER) has no significant effect on the dependent Y of 0.6127. This means that in this study, the debt-to-equity ratio (DER) variable does not significantly affect the level of underpricing. The results of this research are relevant to research conducted by Jhoni and Tri, where the debt-to-equity ratio (DER) did not significantly affect underpricing.

Likewise, with variable X3 (company age) in this study, the result was 0.2213, which means company age has no significant effect on underpricing. The results of this research are relevant to research conducted by Erly and Rahmah (2021), which shows that company age does not significantly affect underpricing.

CONCLUSION

According to research results, earnings per share positively influence underpricing. This means that if earnings per share increase, underpricing will also increase. For investors who want to invest their shares in an industry that has just registered shares (IPO) on the Indonesian Stock Exchange, you should first analyze the industry carefully, both financial and non-financial data, such as the Level of debt proportion, earnings per share, so that the profits obtained are in line with What is hoped is that future researchers will be able to increase the number of companies and add other variables used as research illustrations to get better distribution of information.

Issuers, when carrying out an IPO, will pay more attention to the factors above to minimize the formation of underpricing.

SUGGESTION

For further research, it is recommended to add variable x so that the results obtained are more satisfactory, you can also use mediation or moderation variables.

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